

## BACKGROUND OF STUDY

There is controversy that small and medium scale business in any country where they operate play important role in the economic growth and development of that country or nation and it improves the quality of life of individuals (Ohanemu, 2006).

Business organizations anywhere in the world operates within environments which according to Adidu & Olanye (2006) is an aggregate of all conditions, events, circumstances and influences that surround and effect the business organization.

In management, the term "Environment" does not necessarily mean physical surroundings but, it is used as a total forces, factors and influences that surround and affect business organizations as a separate entity as well as other business organizations. This means that business organizations must interact with those forces that influence its decisions, directions, actions, size, health, profitability and performance of the organization as a whole.

Ukaegbu (2004) stated that the contemporary environment is becoming dynamic and competitive and since business organizations do not operate in vacuum, they affect and are affected by environment conditions. Therefore, business organizations irrespective of their objectives must take into consideration, these environmental opportunities and constraints. Businesses affect the environment by providing the required goods and services thereby contributing to the development of the business by presenting opportunities and threats. One thing to be emphasized at this point is that, the extent to which managers could identify, evaluate and react to the environmental forces will have considerable impact on organizational performances.

Kuye, (2004), emphasized that the need to study business environments is very important considering the fact that business organizations do not operate in vacuum and an effective management in complex and dynamic society requires the assessment of strengths and weaknesses of the organization and the opportunities and threats provided by the challenges of the external environment, hence for survival and growth, organizations must cope and adopt to these challenges posed by the ever changing environment (internal & external) in which managers operate means that mangers must not only be aware of what constitutes the elements of their business environment but also should be able to respond to the forces of the environment which inevitably impinges on the operations of the business organization.

Ukaegbu (2006) further stated that the relationship between a business organization and its host environment can be examined from three strategic ways;

Firstly, the organization can be viewed as importing various kinds of inputs (resources), such as human resources, capital, managerial and technical inputs. These inputs are then transformed to provoke output which takes the form of goods and services. A second approach is the study of the relationship between the organization and the society. It focuses on the demands and legitimate rights of different claimants such as employees, consumers, suppliers, stakeholders, government and the community. A third approach is to view the organization as operating in an external environment of opportunities and constraints. Thus no single approach is sufficient for all times and in all circumstances. They are complementary. The elements external to the organization affects its performance as well as those elements within the organizations.

## 1.2 STATEMENT OF THE PROBLEM

The effects of environment on organizational performance vary from one situation to another. The environment suitable for the growth of a particular business may be hostile to the survival of another business. The problems that necessitated this research are as follows:

Assess impact of environmental factors that has the performance of small scale enterprises in Oshimili North Local Government Area

The ability to identify, evaluate and react to the challenges are critical to organizational performance. Therefore, this study seeks to investigate the impact of business environment on organizational performance of small scale business in Oshimili North Local Government Area.

### **1.3 OBJECTIVES OF THE STUDY**

The purpose of the study is to assess the extent to which environmental factor affects the performance of small business enterprises, evaluate it, determine its success and failure and discuss its likely effects on organizational survival and growth. The other objectives this research seeks to achieve are:

To determine the extent to which environmental factors affect organizational growth and survival of small scale business.

To determine the relationship existing between small scale business and its operating environments.

To determine the challenges facing small scale businesses within Oshilimi North Local Government Area.

To examine how small scale business manage these environmental factors.

### **1.4 RESEARCH QUESTIONS**

In order to arrive at a precise answer to the effect of environmental factors on the performance of small scale businesses, the following research questions shall be tested;

i To what extent do environmental factors affect growth and survival of small scale businesses.

ii. Is there a relationship existing between small scale business and its operating environment.

iii. What are the challenges facing small businesses within Oshimili South Local Government Areas.

iv. How do small scale businesses manage these environmental factors?

What are the available incentives provided by the government to support small scale businesses?

### **1.5 RESEARCH HYPOTHESIS**

The following formulated hypothesis would be tested in order to help provide answers to the research questions;

H0: There is no significant relationship between external environment factors and performance of small scale business.

H1: There is significant relationship between external environment factors and performance of small scale business.

H0: There is no significant relationship between increased productivity of small business and socio-cultural factors within the business environment where it operates.

H1: There is significant relationship between increased productivity of small business and socio-cultural factors within the business environment where it operates.

H0: There is no significant relationship between the fiscal incentives provided by the government, and enhanced performance of small business.

H1: There is significant relationship between the fiscal incentives provided by the government, and enhanced performance of small business.

### **1.6 SIGNIFICANCE OF THE STUDY**

This study will be highly useful after its completion for both current and future entrepreneurs, business organizations and the government. This research study on the effects of environment factors on performance of small scale business in Oshimili North Local Government Area would have considerable benefits on the small scale business operating within this business environment in that it would;

Help these businesses become sensitive to the uncontrollable external environmental factors impinging on the performance of their businesses and how they can effectively manage these factors and top the opportunities for enhanced productivity and profitability.

**To an entrepreneur:** The knowledge obtained from this study will enable them to know how critical environmental factors are and how to effectively manage these factors for the survival and growth of small scale businesses.

**To organizations and the society:** The study will equally be useful to organization and the society at large in the sense that knowledge about technological advancement generation through small scale business source of credit facilities to establish small business will be acquired.

**To the Government:** This research will also be useful to the government in the formulation of policies towards small scale enterprises development in Nigeria. It will also help the government to identify the importance of small scale enterprises in the achievement of economic growth and development in Nigeria.

### 1.7 SCOPE OF THE STUDY

This study covers environmental factors and its effects on the performance of small scale businesses in Oshimili North Local Government Area. The study basically focused on the challenges of these businesses managing the dynamic nature of their business environment in achieving organizational performance.

### 1.8 LIMITATIONS OF THE STUDY

However, there were some constraints that impinged on the research, these are;

**Financial constraint:** The cost of sourcing information and administering questions was quite on the high side, which included visiting various small businesses in the various towns that made up the local government.

The limited time frame given to achieve the research was also a constraint to the study.